

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE**

Room 25, House Building

January 28, 2016

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Dixon M. Pitcher, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Wayne A. Harper
Sen. Ann Millner
Sen. Jerry W. Stevenson
Sen. Evan Vickers
Rep. Patrice M. Arent
Rep. Jeremy A. Peterson
Rep. Val L. Peterson
Rep. John R. Westwood
Rep. Mark Wheatley

Members Absent: Sen. Curtis S. Bramble
Sen. Gene Davis
Rep. Johnny Anderson
Rep. James A. Dunnigan
Rep. Brad R. Wilson

Staff Present: Dr. Andrea Wilko, Chief Economist
Ms. Clare Tobin Lence, Fiscal Analyst
Ms. Rosemary Young, Committee Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

Vice Chair Barlow called the meeting to order at 8:06 a.m.

Financial Institutions Analyst Presentation and Agency Response Base Budget

Analyst Lence reviewed the budget as found in the base budget bill and COBI on-line and pointed out that the department is completely funded by restricted funds which derive from fees assessed on the institutions being regulated. Expenditures are primarily personnel driven.

Edward Leary, Executive Director, accompanied by Michael Jones, Finance Director, reminded the committee that the dual banking system is important to Utah. The agency only supervises state chartered banks which constitute 87 percent of the banks in Utah. It is a choice of these banks to be under state regulation. They are willing to pay the fees, and they want quality supervision in return. This is especially true of industrial banks. Utah is the 5th largest state in assets under supervision and has become known as a financial services center.

Challenges and issues faced by the department:

1. Safety and soundness of institutions.
2. Constant turnover of examiners and the need to train new examiners, a 5 year process.
3. Devote more resources to very large banks without slighting smaller institutions.
4. Address the problem of examination of money transmitters.
5. No new industrial banks are coming on line as a result of FDIC decisions.
6. Work to mitigate the impact and burden of increasing compliance and consumer protection regulations. (There are only 3 states including Utah participating with the federal agencies in these exams.)
7. Get more state examiner presence on joint specialty examinations.

There was a discussion explaining that banks choose to be state chartered because of the ability to speak to a local decision maker. The causes of banks closing during the Great Recession were discussed. The shared responsibility of examinations with federal agencies was explained. Committee members reported having or hearing of positive experiences with the agency.

The balance in the restricted fund rose higher than desired in recent years, so decreases in fees have brought that balance more into line with expenses. One performance measure looked at is the amount of assets under supervision per examiner. This number is higher in Utah than in surrounding states. One reason for this is that industrial banks are large in terms of assets but uncomplicated in terms of function and require simpler examinations. Pay-day loan institutions are followed closely as the agency tries to implement constantly changing regulations. The agency is on a 4-year cycle with lap-top computers, and is requesting \$116,700 to replace computers. The request for payment to Lassonde Entrepreneur Institute at the University of Utah of \$300,000 for each of 3 years is new. The purpose of the Institute is to sponsor research programs particularly into the role of community banks. It was found that community banks provide almost 60 percent of the loans to small businesses in the country. A budget and oversight procedures are in place at the Institute.

The reason GE chose to sell off its banking activities was that it didn't want to be considered a "Significantly Important Financial Institution" and have to undergo the additional federal oversight and control entailed as a result of the Dodd-Frank Act. Met Life also made this choice.

Labor Commission Analyst Presentation and Agency Response Base Budget

Analyst Lence reviewed the Labor Commission background and purpose and explained the line items on the base budget. Funding detail, etc. can be found on-line in the COBI.

Sherrie Hayashi, Commissioner, Utah Labor commission, accompanied by David Lamb, Director of Administrative Services, distributed a handout, "Utah Labor Commission" and reviewed the

six divisions:

1. Industrial Accidents
2. Boiler, Elevator and Coal Mine Safety
3. Utah Occupational Safety and Health (UOSH)
4. Antidiscrimination and Labor
5. Adjudication
6. Administration.

The total budget of \$13 Million derives \$6.2 Million from General Fund, \$3.5 Million from restricted funds, and \$3.3 Million from federal funds. There are 115 FTEs

The requests for FY 2017 are:

1. \$130,000 ongoing from IARA Restricted Account (1 FTE) for an additional Administrative Law Judge needed to help meet statutorily mandated time frames for issuing final decisions.
2. \$150,000 ongoing and \$450,000 one time, nonlapsing, from IARA Restricted Account for the Electronic Reporting Interchange for the purpose of reaching the point of having all records from employers and/or insurance carriers being submitted electronically.

USTAR Analyst Presentation and Agency Response Base Budget

Analyst Lence reviewed the USTAR budget with on-line materials. Fee changes were brought up and the request for non-lapsing authority.

Greg Bell, Chair of the USTAR Governing Authority, and Ivy Estabrook, Executive Director, distributed a handout, "USTAR BEDL Presentation", the slides from the subsequent power point presentation. Chair Bell reviewed the board and their accomplishments.

Executive Director Estabrook reviewed the three components of USTAR: Technology development resources, Infrastructure for technology development, and Technology entrepreneur outreach. Two success stories are 1) Nanosynth sensors which provide a point of care tuberculosis test much less expensively than current tests and 2) expanding idea pool to use ideas which are already being studied at the university but not necessarily USTAR recruited faculty. Examples are K20 - fungicide and Syrian hamster, a test animal which can be used instead of rats or mice for some conditions which humans have, but rats and mice are not susceptible to. A technology outreach program success is Applied Biosensors which allow remote sensing of biological processes.

Economic impact in TOIP and the research universities was discussed. USTAR reported that 2013 audit recommendations were almost all implemented with one in process. The 2 recommendations from the 2014 audit have been implemented. Wave technology was given as an example of a fairly quick success. The company has recently been acquired and could move out of state. Job creation as a result of the research going on can be as slow as 15 to 20 years. There was discussion as to how to keep companies in the state. One answer is to attract more venture capital to the state. Another is

to provide some kind of incentive, possibly through GOED. Dr. Estabrook reported that USTAR is healthier and committed to transparency and accountability as a result of responding to the audits. They are now more aware of the legislative intent of the organization and more closely meeting that intent.

Dr. Noelle Cockett, USU Provost worked closely with Dr. Estabrook to ensure that funds given to USU were applied to USTAR's mission. Dr. Cockett reported on USTAR's activity at USU.

Dr. Estabrook reported on three pilot programs of USTAR:

1. Industry-Partnership Program - Industry science and technology challenge identified, matched with researcher at university, co-funded between company and researcher
2. Technology Acceleration Program - Technology development projects that will mature technology into prototypes, proof of concept, validation and product development.
3. Competitive Funding for R & D - USU piloted mini-grants program this year. Competitive funding for technology ideas with a strong commercialization potential.

MOTION: Rep. Westwood moved to adjourn. The motion passed unanimously with Sen. Stevenson absent for the vote.

Chair Pitcher adjourned the meeting at 10:42 a.m.

Brian E. Shiozawa, Chair

Rep. Dixon Pitcher, Chair